

## **Syria to Delay VAT Until "Appropriate Time and Conditions"**

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The implementation of the Value Added Tax in Syria will await "the appropriate conditions and time," according to the Minister of Finance.

In a press statement, Mohammad Hussein, said that the country was not ready yet for the implementation of VAT because of technical reasons, i.e. the lack of proper invoicing practices and automation, and because the time and conditions, for the economy and society, were not ripe yet.

He did not say what he meant by "appropriate conditions" and when he expected these to be ripe.

Mr Hussein added, however, that the final consumer would be the first to feel the impact of the introduction of VAT and that as a consequence the Ministry would not put it in place before it was sure it could be done in a proper way.

Syria has been working for several years on the implementation of a value added tax that is expected to compensate for the losses incurred by the Treasury following the reduction in customs tariffs and the decline in oil production. Neighbouring Lebanon, which implemented VAT less than ten years ago, has seen an ensuing significant increase in Government revenues.

The Ministry of Finance has been delaying its introduction and many had expected the tax to be applied before the end of this year. The Government embarked at the end of 2010 in a large advertising campaign to encourage consumers to ask for an invoice from traders, a precondition for introducing VAT.

In Syria, where a large cash culture prevails and where tax evasion is the rule, very few traders issue formal invoices.

Mr Hussein said that the draft text for VAT has been ready since 2008 and that the general rules under which it will be applied include the following: all the main consumer goods will be exempted; education and health services will also be exempted; a single rate will be applied in the first stage.

VAT will replace some 12 various taxes and fees currently applied, including the consumer expenditure tax applied since 1987 on a number of services including hotels and restaurants.

Several Middle Eastern countries have been facing unrest in the last few weeks on the back of deteriorating economic and social conditions, corruption and lack of accountability of senior officials. As a response, Governments have been increasing state subsidies and salaries and reducing the costs of consumer goods.

Syria increased earlier this year an important heating oil subsidy paid to civil servants and decreased taxes on a number of food items.